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## Chile

NHA 8001

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# Chile

NHA 8001



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## **CHILE**

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# GEOGRAPHY

Chile comprises 756,950 km<sup>2</sup>. It is bounded on the south by the South Atlantic Ocean, on the west by the Pacific Ocean, on the north by Peru and Bolivia, and on the east by Argentina. Its land boundaries measure 6,171 kilometres, and its coastline 6,435 kilometres. Chile is divided into 13 administrative regions, each distinct with respect to geography, climate and potential for economic development.

From north to south, there are seven distinct climatic regions that make up three general zones: the desert and semi-arid regions of the northern zone; mild, humid, rainy and oceanic regions of the central zone; and the cold, humid, rainy, oceanic and semi-arid regions of the southern zone.

The northern zone supports primarily mining activities. The central zone is a fertile valley that contains the vast majority of the population, as well as the capital city of Santiago. The south supports mainly farming activity and is sparsely populated. The Andes Mountains constitute the western border with Argentina. The low coastal range Cordillera Domeyko is in the northwestern part of the country.

Environmental issues include air pollution from industry and vehicles, water pollution from raw sewage, deforestation, desertification and soil erosion.



## **DEMOGRAPHICS**

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The population of Chile is approximately 14.2 million people, yielding a population density of 18.8 inhabitants per km<sup>2</sup>. Of the population, 29 percent is 14 years of age and under, 64 percent is 15 to 64 years old, and 7 percent is 65 or older. The literacy rate is 94 percent. The overall population growth rate is 1.6 percent annually. The population is expected to reach 15.2 million by the year 2000.

Approximately 86 percent of the population is located in urban areas, with 64 percent living in

cities of greater than 100,000 people, and 74 percent in centres of 20,000 or more. Santiago, including its metropolitan area, has a population of 5.1 million inhabitants. Other major urban centres include Concepcion, Talcahuano and Valparaiso. They are all located in the central valley.

The medium- and medium-high-income sectors account for approximately 10 percent of Chile's population.

## ECONOMIC OVERVIEW

Chile's economy is prosperous and free-market oriented. It is among the most active in Latin America. The business sector includes many international and multinational firms. Commercial and residential construction activities are brisk. Growth has averaged 6.5 percent for the first few years of this decade. Social spending has been emphasized since 1990. As a result, more than one million people have moved out of poverty since 1991.

Chile is the only Latin American country with an investment grade A- (single A minus) debt rating and the first with an A1 rating from IBCA, a European rating agency.

The following table presents comparative economic indicators for Chile as of 1994.

**Table 1:**  
**Comparative Economic Indicators for Chile as of 1994**

	Value	Units
GDP per capita	\$5,798	Canadian
Construction GDP per capita	\$320	Canadian
GDP Growth Rate	4.3%	Per Year
GNDI Growth Rate	6.2%	Per Year
Inflation	8.7%	Per Year
Unemployment	6.0%	of the work force
Balance on Current Account	-\$103	Canadian
External Debt per capita	\$1,978	Canadian

Source: ECLAC, Statistical Yearbook for Latin America and the Caribbean, 1995

Chile is considered a middle income developing country. About \$1.6 billion per year is allocated to public sector investment in housing and urban infrastructure. A great deal of housing purchases are subsidized; in order to receive assistance, prospective owners must establish special savings accounts to amass their share of the cost. At the

end of 1994, there were about one million accounts of this type, totalling about \$580 million.

Statistics for 1995, as published in the Chile Economic Report, indicate a GDP growth rate of 8.5 percent (representing 12 consecutive years of growth), inflation of 7.8 percent (the lowest it has been in 35 years), and unemployment at 4.9 percent. Both growth and inflation are projected to be 6.5 percent for 1996.

Chile enjoys both budget and balance of payments surpluses, and has sufficient funding to finance growth. Its internal rate of savings is above 25 percent, more like the Asian tigers than its Latin American neighbours. Foreign investment, simplified by Chilean regulations, is entering the country, and unlike Mexico, this investment is long term instead of short term. There has been some concern in official circles that too much foreign investment is pushing up the value of the Chilean peso and making Chilean exports less competitive. This has led to measures to restrict financial inflows.

Capital investment reached an unprecedented level of 27 percent of GDP in 1993 and remained fairly stable at about 26 percent throughout 1994. A reform of the law regulating capital markets was recently approved by Chile's Congress and a new banking law that will liberalize banking activities and allow expansion abroad is imminent. Chile's robust economy allows the government to register a small fiscal surplus and to service foreign debt easily.

Both the Chilean government and the Central Bank have indicated a willingness to tighten monetary policy, if necessary, in order to continue reducing the level of inflation. Per capita income (US\$3,700 or US\$4,500 in terms of purchasing power parity) has been growing by 34 percent per year. The government's goal is a six-year plan that will increase per capita income by 50 percent by the year 2000 by placing an emphasis on education and training. Infrastructure development is the other government priority. It is reasonable to assume that if growth continues at recent levels,

Chile will be classified as a developed country within 10 years.

Chile is very competitive in a number of foreign markets, and exports reached US\$16.4 billion, an increase of 41.2 percent from 1994. Imports grew by 33.5 percent to US\$15.3 billion, leaving the country with a trade surplus of US\$1.1 billion.

Copper has traditionally been the leading export. Chile has one-quarter of the world's copper reserves and is the largest single producer. Minerals and ores of all kinds made up 48.5 percent of 1995 exports. Food and agricultural products were the next most important export, accounting for 26.5 percent of the total, followed by forest products with 14.4 percent.

Chile is dependent on four commodities for almost 60 percent of its export earnings: copper, pulp, fresh fruit and fish meal. Despite this dependence on primary commodities, the economy is steadily diversifying. Over the past ten years, manufactured goods have risen from about 6 percent to more than 17 percent of Chile's exports.

Chile's economic success is attributed to the policy reforms of the 1970s and 1980s that created a dynamic, export-led private sector. As a result, the Chilean economy is very open, with a minimum of regulation and few government subsidies. Most government-owned enterprises have been privatized with the exception of some notable organizations such as CODELCO, the state copper company, and ENAP, the state oil and gas company.

Direct foreign investment has remained high with three years of record-breaking levels. Canada's investment portfolio (actual and planned) in Chile is over US\$4.5 billion, and Canada is the second largest single foreign investor in Chile, after the United States. While mostly concentrated in the mining sector, (US\$3.7 billion) a number of important investments have been made in the energy, financial services, engineering services, equipment manufacturing and communications sectors.

Canadian exports to Chile increased by 47 percent in 1995 (since 1992, Canadian exports have doubled) to approximately \$387 million and have diversified considerably as manufactured products and services play an increasing role.

Chile has approximately 40 banks (75 percent are foreign-owned) that are all active in trade and project financing. The Export Development Corporation (EDC) provides both project and trade financing. Lines of credit have been established with two Chilean banks: Banco Sud Americano (30 percent owned by Bank of Nova Scotia) and Banco O'Higgins. Each line of credit is for \$10 million. Other Canadian participation in the banking sector includes a 10 percent interest in Banco Osorno (Banque Nationale du Canada) and a representative office of the Royal Bank of Canada and Toronto Dominion Bank. With the dynamic growth in both investment and trading flows between Canada and Chile, all major Canadian banks are actively servicing this market.

## POLITICAL OVERVIEW

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Mr. Eduardo Frei, candidate of the governing centre-left coalition, Concertacion Nacional, achieved a solid victory during the December 1993 elections, garnering 58 percent of the vote. His nearest opponent, representing an alliance of right-wing parties, Senator Allesandri, gained 24 percent of the vote. The Concertacion retained its majority in the lower Chamber, but failed to secure a majority in the Senate, where eight conservative senators, appointed by former president Pinochet, maintain their seats.

Former president Aylwin led the Concertacion to victory in 1990 in the first elections following General Pinochet's resignation. Aylwin made the transition from military to civilian government an outstanding success. He launched important social reforms, which are being pursued by President Frei. The latter has indicated that his main priorities will be the further eradication of poverty (down from 40 percent in 1989 to 30 percent at the end of 1993), the achievement of a higher standard of living, as well as education and health systems reform. As a means to achieve these goals, the President is placing a strong emphasis on improved productivity, skills upgrading and diversification to higher value-added exports. The priority is on educational reforms and infrastructure development, mostly through private-sector concession systems.

The President has a mandate to govern until the year 2000. Pro-free-trade and market-oriented policies are expected to continue. Due to widening splits in the governing coalition, however, the

implementation of new reforms may slow considerably.

The government recognizes that if the country wishes to continue intensifying its presence in international markets, Chileans must also be seen to be more active in the international scene. Chile has made giant steps forward in the process of reinserting itself onto the world stage. While considerable progress was made during the final years of the Pinochet regime on the economic front, this was not the case on the political side. The government had decided to emphasize on its regional relationships. Chile became a member of the Rio Group of Latin American nations, and re-established its importance in the Organization of American States (OAS). As well, 22 of 24 border disputes with Argentina, that had plagued their long history as neighbouring states, have been resolved. Chile also signed a treaty with Peru and has opened a dialogue with Bolivia on the question of the latter's access to the Pacific coast. Most recently, Chile has nominated an ambassador to Cuba.

Chileans are conscious of the effects of isolation suffered during 17 years under General Pinochet. Since late 1994, Chile has become a full member of the Asia Pacific Economic Cooperation (APEC) organization, has begun negotiations to join NAFTA, has signed a free trade agreement with Canada and in 1996 became an associate member of Mercosur (a common market made up of Argentina, Brazil, Paraguay and Uruguay with a common external tariff). Chile has also established a trading linkage with the European Union.

## TRADE POLICY

At the Summit of the Americas in Miami in December, 1994, the leaders of the three NAFTA countries joined the President of Chile in announcing their intention to pursue Chilean membership in NAFTA. Then, in January 1995, Prime Minister Chrétien brought a delegation of over 250 Canadian business people to Chile, increasing the profile of Canadian goods and services and demonstrating active and enthusiastic Canadian support for Chilean accession to NAFTA.

Technical preparatory work to facilitate Chile's entry into NAFTA has been ongoing since early 1995. Canada and Chile have negotiated a free-trade agreement between the two countries as an interim step to Chile's accession to NAFTA. As negotiations are already underway for Chile to become the next partner in NAFTA, Canada's commercial and economic relationship is expected to continue with notably heightened interest from Canadian companies.

The opening of the Chilean economy to global competition has led to increased investment and trade opportunities for Canadian firms. Further, Chilean membership to NAFTA will enhance these opportunities. The recently-signed

Canada-Chile free-trade agreement gives Canada barrier-free access to the Chilean market and protection for Canadian investment to most goods by June 2, 1997. Foreign firms face little discrimination in Chile, there are practically no barriers to market entry, and foreign investment is welcomed. Virtually all exports to Chile are currently subject to a uniform 11 percent tariff and an 18 percent value-added tax which will be removed on most goods by June 2, 1997.

Chile does not intend to become a full member of Mercosur, as its current tariff is lower than the planned common external tariff. However, as an associate member, Chile should ensure its ability to compete effectively within Brazil and the Southern Cone.

Chile is also positioning itself as the firm link in South America to build trade relations with other regions. In November 1994, it became the second Latin American country after Mexico to be a member of APEC, a region which purchases 30 percent of Chile's exports. It is also interested in working towards a bilateral free-trade agreement with the European Union, which imports about 25 percent of Chilean exports.

# HOUSING CONDITIONS

In 1991, there were approximately 3.3 million households in Chile. The number was expected to reach 3.6 million by 1995 and is forecast to reach 4 million by the year 2000.

Masonry and cement are the traditional building materials, and wood trusses are used for roofs in almost all residential construction. Many new

homes feature ground-floor construction of traditional masonry, with wood-framed second floors. Generally, people view wood-frame construction as housing for poor people.

The general state of housing in Chile as of 1992, is indicated in Table 2.

**Table 2:**  
**1992 Housing Characteristics (except as noted)**

Based on Total Stock of 3,101,356 Units*			
By Type of Occupancy		By Number of Occupants, 1990	
Owner	2,119,078	1	273,320
Tenant	555,775	2	467,697
Other	426,503	3	658,750
		4	756,196
		5	545,960
		6	312,759
		7	127,504
		8	71,447
		9+	80,146
		Unknown	n/a
By Number of Rooms		By Available Services	
1	82,323	Domestic Water	2,734,645
2	303,411	Flush Toilets	unknown
3	501,968	Sewage	2,169,264
4	783,817	Bathroom	2,181,377
5	761,989	Power	2,733,786
6+	656,871		
Unknown	10,977		

\* Individual categories do not necessarily add up to quoted total.

Source: ECLAC, Human Settlements: The Shelter of Development, October 1995; Statistical Yearbook for Latin America and the Caribbean, 1995

# HOUSING SECTOR

## Overview

New programs implemented in 1995 for the development and improvement of infrastructure could result in expenditures of up to \$6.8 billion over the next 5 years. This will include modernization of ports, airports and railways, and will be an immense benefit to the transportation of construction materials.

Because wood-frame construction is relatively new, there is no base industry in place to provide a reliable supply of dry lumber.

## Major Participants in the Housing Industry

The private sector is viewed as the most important investor in the provision of housing, having committed 6 percent of the investment over the past several years.

Natural Home - SABINCO is one of the largest private-sector builders. It builds 100,000 m<sup>2</sup> of residential space per year. Another private-sector builder with a significant share of the market is Casas Delano. This company builds about 800,000 m<sup>2</sup> of residential space per year. It specializes in prefabricated wood-frame panel houses.

The Chile Foundation is a non-profit organization created in 1976. Its mandate includes the management of marine, agricultural and forestry resources. The Chile Foundation was instrumental in the creation of ACIM, the Wood-frame Builders and Wood Industrialists Association. Members of this association combine to build over 5,000 units per year. Its primary aim is to work toward acceptance of wood-frame construction in Chile's housing market.

Another non-profit organization, Hogar de Cristo, is dedicated to building shelters for the poorest sector of the economy. It provides subsidies and repayable loans to its clients and produces an average of 13,000 units per year. It is estimated to be the country's largest user of wood products. In early 1996, the organization's plant was being

modernized to give it the capability to produce panel products.

## Key Housing Market Institutions

The Ministerio de la Vivienda y Urbanismo (MINVU, Ministry of Housing and Urbanization) is the government agency responsible for all aspects of housing and urban development. MINVU carries out its mandate through three general regulatory documents: Ley General de Construcción y Urbanización (general law regarding construction and urbanization), La Ordenanza General (building code), and Las Normas Técnicas (technical standards for methods and materials). MINVU has two main branches:

- Secretarías Regionales Ministeriales (SEREMI, Regional Ministerial Secretariats) which is responsible for legal, administrative, regulatory and technical matters, and has representation in each region; and
- Servicios de la Vivienda y Urbanismo (SERVIU, Housing and Urban Development) which is responsible for administering and implementing the agency's housing programs.

## Relevant Regulatory Systems

Building permits are the responsibilities of the particular municipalities. Required approval times are 15 days for single-family homes and 30 days for multi-family projects.

Materials or systems proposed for use in social housing projects must receive prior approval from the División Técnica de Estudio y Fomento, the Technical Division of Research and Production of SEREMI.

The following is a list of its requirements and conditions:

- Approvals may be for complete systems or modifications to existing systems.
- Approvals do not take precedence over municipal requirements.
- Approved materials or methods may be used only for the specific circumstance under which the approval was granted.

- There is no time limit on approvals, though they may be revoked at any time for technical reasons.
- The proponents of a system or material must be represented by a professional architect or engineer.

Chile's building code is very comprehensive, although it does not cover wood-frame construction to any great depth. MINVU intends to work closely with the Chile Foundation to introduce wood-frame methods, primarily by introducing them into the building code.

## Housing as a National Priority

Families are encouraged by the government to aspire to home ownership. To encourage middle-income families to invest in housing through the private sector, tax incentives are offered for the purchase or renovation of houses up to 140 m<sup>2</sup> in area. The importance of proper housing to families is illustrated by the level of savings in special savings programs. As of September 1995, there were over one million savings accounts in place for the specific purpose of saving enough money to qualify for assistance in purchasing a home.

The Chilean government places high priority on addressing the needs of poverty groups. Beneficiaries are expected to participate by organizing into action groups, with the goal of achieving the housing targets of the group over time.

Public-sector investment in regional economies in 1994 was approximately \$2 billion. Housing, neighbourhood improvement and urban renewal accounted for about 37 percent of that amount.

SERVIU is responsible for administering and implementing the government's low-income housing programs. The following programs have been established:

**Programa de Vivienda Progresiva (PVP, Program of Progressive Housing).** This program is directed toward the poorest urban segment of the population. The government provides up to 75 percent financing to qualified families for the construction of progressive homes. These are initially small dwellings, designed for future expansion as needs change and ability to pay increases. There are two basic starting models: a 6 m<sup>2</sup> version and a 12 m<sup>2</sup> version. Dwellings are

built in two stages. Stage one encompasses a serviced lot, typically 100 m<sup>2</sup>, and a basic living space comprising sanitary facilities and a multipurpose room. The average total cost of stage one is \$4,600. Stage two includes additional living space to an average cost of \$2,700 for which a 50 percent subsidy is available. Application for funding for stage two cannot proceed until two years after stage one has been completed.

**Programa de Viviendas Basica (PVB, Basic Housing Program).** The government provides up to 75 percent financing to qualified families for the construction of basic housing units. The units are built by the private sector through public tenders. Units are generally 35 to 40 m<sup>2</sup> on lots of 60 to 100 m<sup>2</sup>. The average total cost is \$8,300.

**Sistema General de Subsidio Unificado (SGSU, General Unified Housing Subsidy System).** Depending on economic standing and composition, families are classified on a points system, which, in turn, determines the level of financing for which the family is eligible. The funding advanced must be used within two years for the purchase of the home from open real estate listings. Funding ranges from \$3,100 to \$7,800 for homes with maximum total prices of \$77,300.

**Programa Especial para Trabajadores (PET, Special Program for Workers).** Through this program, companies help their employees purchase or build homes through matching or proportional matching payroll deductions. Once enough has been saved for the down payment, the employee may qualify for additional assistance through one or more of the other programs offered by the government. The average size of homes built through this arrangement is 45 m<sup>2</sup>. The average total cost is \$10,600 and the maximum subsidy available through other programs is \$3,100.

**Subsidio Rural.** This program offers assistance to the lowest income rural citizens. The maximum value of a housing unit under this program is \$10,100, and the maximum subsidy available is 75 percent of the cost of the unit.

**Subsidios de Colonizacion (Colonizing Subsidies).** This program is restricted to the southernmost region of the country and is intended to promote settlement in the region. The maximum subsidy available is \$11,600, and subsidies do not exceed 90 percent of the value of the home.

# **MATERIALS, LABOUR AND FINANCING**

## **Materials**

Locally, there is a lack of good quality materials such as windows, exterior doors, asphalt shingles, ceramic tile grout and exterior cladding.

Though interest in wood-frame methods is developing, the wood industry is not able to supply good quality materials. An appropriate infrastructure for the supply of adequately dried lumber does not exist, and there is a need for technical assistance in the realm of wood preservation and treatment.

For the transportation of materials, Chile has 7,766 km of railway (various gauges), 80,000 km of roadway (11,000 paved, 69,000 gravel or dirt), 725 km of inland waterways, 11 seagoing ports, and 28 airports with 1.5 km or greater of paved runways. These routes serve the country quite well, given its geographic layout.

## **Labour**

There is a lack of technical knowledge on the part of construction crews.

## **Financing**

The upper 10 percent of the population (middle- and high-income groups) are able to arrange private financing for housing. For the remaining 90 percent, government financial assistance is generally required. Government-sponsored programs typically feature homes in the range of \$8,000, and subsidies of up to 50 percent are available to qualified applicants. Programs sponsored by non-profit groups are typically less expensive and smaller. These homes cost about \$3,400, and subsidies of 50 percent are available from the non-profit group.

Generally, private-sector financial policies are based on sound principles, including:

- guaranteed returns for investors through rental commitments;
- attracting savings for housing by offering interest rates that are competitive with other investment options;

- indexed savings to keep pace with inflation; and,
- diversification of private financing sources to maintain stability in the housing investment market.

Banks will finance developers and builders up to 100 percent of housing project construction costs. Generally they place the following conditions on housing project financing:

- the development or construction company must be the owner of the land;
- the developer or builder must have proven professional competence;
- there must be proof of buyer interest, generally indicated by at least 30 percent presales; and,
- the proponents must be willing to use personal estates as collateral.

Bank credits are repaid through unit sales. The return on investment is in the order of 20 percent, with a turnaround time of about 18 months.

A new purchase option, leasing, has emerged in the early months of 1996. The down payment is mortgaged, and the buyer makes monthly mortgage payments against the down payment in addition to monthly rents. Once the mortgage period is complete, the accumulated rental payments are treated as purchase payments.

The method is proving very popular. In the three-month period ending April 1996, approximately 55,000 applications for this purpose were received by institutions offering the option.

The lease and purchase option has some advantages:

- it puts home ownership within the reach of families that cannot build up sufficient savings to qualify for other purchase programs; and
- it allows families to move out of rental situations where they are paying rents as much as three times the lease payment of a new unit.

Traditionally, banks offer two general choices for individual borrowers.

#### ***Mortgage Loans***

These are for the purchase of a home, construction of a home, or repairs and upgrades to existing homes. The mortgage will not exceed 75 percent of total cost. Maximum amortization periods are set by an age-related formula: the age of the applicant plus the amortization period generally should not exceed 75 years. Twelve to 15 years is a typical mortgage amortization period. Payments

cannot exceed 25 percent of net income. Down payment requirements of 25 percent can be reduced if the applicant qualifies for government subsidies. In some cases, second mortgages are available to assist with the down payment.

#### ***Transferable Mortgage Loans***

These are for purchase, construction, repair or upgrading within the metropolitan capital region only. The terms are more stringent than the general mortgage loan, and more difficult to qualify for.

# **HOUSING MARKET ACTIVITY, NEED AND DEMAND**

## **Local Technology**

Local construction is dominated by masonry methods. Traditionally, wood-frame construction has been associated with poor peoples' housing, although that philosophy is slowly changing, particularly in the central region.

Housing forms vary with geographic area and available materials. Housing in the northern zone is usually adobe (native clay or a mixture of clay and straw). Features recommended by local authorities include concrete foundations and slab-on-grade, wood doors and windows, and roofing of tar-impregnated cardboard (or mud coated with waterproofing asphaltic emulsions). Guayaquil, a local plant-based fabric, is commonly used for wall and ceiling coverings.

Wood, locally grown and processed, is the typical building material in the southern zone. Concrete and brick are also used, but to a lesser degree. In the south, material economies are different than in the central and northern zones. Wood is local and cheap, concrete and brick must be brought in from other regions; the cost of freight makes the material cost comparatively high. Generally, all interior finishing materials are local. The exceptions are hardware, plumbing and waterproofing materials.

In the central zone, brick and wood are somewhat more plentiful and are used to some extent in place of adobe construction, although adobe remains common. Processed materials (plywood, particle board, drywall) are also available and used to some extent, although the cost is high. Roofs are usually galvanized sheet steel or asbestos tile. These materials may be replaced in the future with ceramic tiles when the region begins its planned production of ceramic tiles. Wood, when used, is often rough-finished treated pine.

As noted, wood-frame building is slowly becoming an accepted form of construction in the central region. This is the most populated and busiest region of the country, and the centre of

middle- and upper-market housing construction. In the central region, wood trusses are used for roof construction in almost all residential buildings.

There is a tendency to over-design structural wood features, principally because the method is still somewhat novel and is approached with greater caution than necessary. The firefighting service in Chile is voluntary.

This is one aspect of the social system that is a detriment to the widespread use of wood-frame construction. The preferred material for exterior cladding is PVC siding, with brick cladding as a second choice. PVC is also preferred for eavestroughs and downspouts.

In general, materials such as windows, exterior doors, asphalt shingles, ceramic tile, grout and exterior cladding are not available locally.

A typical social housing project is called a progressive house and is similar to Canadian shell housing. The units are two- or three-storey apartments. Interiors are meant to be finished by the purchasers. The cost is roughly \$8,000. Another typical social home features 54 m<sup>2</sup> on two levels and is generally built for the poorest segment of the populace. The lower level of the home is traditional construction. Two-thirds of it is finished, one-third is to be finished by the purchaser. The upper level is basic wood-frame construction, and roofing is sheet metal. The cost of the unit is \$2,500. Subsidies of up to 50 percent are available for social housing.

Many new middle- and upper-income-market homes feature ground-floor construction of traditional masonry, with wood-framed second floors. A typical middle class home is approximately 165 m<sup>2</sup> in size and sells for \$95,000. A typical upper class home sells for \$136,000 or more and features 240 m<sup>2</sup> of living space. This includes accommodations for a live-in maid. There is significant interest in three- and four-storey walkup apartment construction among private-sector builders.

**Table 3:**  
**Chile: Housing Construction Forecast, 1996-2000**

Year	1996	1997	1998	1999	2000
Public Sector	97,500	104,000	110,100	116,200	122,300
Private Sector	32,000	33,000	34,000	35,000	36,000
Total, All Housing	129,500	137,000	144,100	151,200	158,300

Source: National Bureau of Statistics, Chile

## Local Housing Activities

Total construction amounted to approximately 9,925,000 m<sup>2</sup> in 1994. Housing accounted for 71 percent of the total. Housing activity comprised approximately 118,700 units for a total area of 7,050,000 m<sup>2</sup>, yielding an average built-unit size of 59.4 m<sup>2</sup>. In 1995, all building construction totalled about 10,518,000 m<sup>2</sup>. Housing accounted for 70 percent of the total, with 7,321,000 m<sup>2</sup> comprising 113,500 units built. Though the housing component was down slightly in 1995, the average area per unit increased to 64.5 m<sup>2</sup>.

Table 3 shows Chile's housing construction forecast for 1996 to 2000. It indicates the number of units apportioned to both the public and private sectors.

**Table 4:**  
**Chile: 1992 Housing Statistics**

No. of Households	3,365,462
Private Dwellings	3,120,967
Adequate	2,394,995
Repairable	361,212
Beyond Repair	364,760
Total Deficit	970,467
Quantitative	609,255
Qualitative	361,212
Annual Increase in Households (1990-95)	72,000

Source: ECLAC, Human Settlements: The Shelter of Development, October 1995

In September 1993, a \$205-million project for low-cost housing and barrio improvement was approved for Chile with IDB financing of

\$68 million. The project was divided into two phases:

- Phase A includes construction of 27,000 basic dwellings (100 m<sup>2</sup> site with 13 m<sup>2</sup> living space). Phase A is ongoing, with approximately 13,000 to 15 000 units remaining to be built in 1996 and 1997.
- Phase B comprises improvements to approximately 23,000 dwellings. It is essentially complete.

## Housing Need

Detailed housing statistics for 1992 are shown in Table 4.

Residential construction in 1995 had the effect of reducing the deficit by approximately 30,000 units to an estimated 600,000 units. Approximately 36 percent of that amount exists within the metropolitan capital region.

The number of Chilean households as of 1995 was approximately 3.6 million. By the year 2005, the number of households is projected to be 4.4 million. To keep the deficit at its 1995 level, roughly 80,000 new units must be built each year. If the forecast construction levels are met or even approximated, the housing deficit will be reduced significantly by the year 2000.

## Factors Affecting the Demand for Housing

Average salaries increased by 4 percent in 1995, and during the same year, the Chilean population established a record national savings rate of 27 percent. Saving for a house is a priority among the population and is probably a significant factor in the recent history of deficit reduction in the country.

An issue that affects the selection of wood-frame methods for new construction is subsidy

eligibility. Many Chilean families are eligible for housing assistance in one form or another. One factor determining the amount of subsidy available to a particular applicant for a previously-owned home is the form of construction and the resultant expected useful life of the dwelling.

Subsidies are generally not available for homes with life expectancies of less than 20 years. Masonry is heavily favoured over wood in this regard, as shown in Table 5.

Though a house constructed of treated wood would be larger than a masonry house of a similar price and age, the subsidy would decrease considerably as age increases. Therefore, the resale value of the house can be adversely affected when a family is able to move on to market housing. Families generally take this into consideration at the time of new construction of subsidized housing. Subsidies for new construction are scaled on a similar basis.

**Table 5:**  
**Chile: Comparison of Subsidy Eligibility for Differing Construction Types**

Construction	Unit Cost (\$/m <sup>2</sup> )	Fraction of Original Value at Given Age		
		Age (Years)		
		10	20	30
Masonry	370	0.8	0.6	0.45
Wood, Treated	310	0.7	0.4	0.25
Wood, Untreated	290	0.2	0	0

Source: C. Magis, Standards Governing the Use of Wood in the Construction Industry in Chile, October 1984

# EXPORT OPPORTUNITIES AND STRATEGIES

Chile is regarded as a promising market because of its strong and stable economy, its outward-looking and international perspective, its growing interest in trade with Canada, its housing needs and demands, and the interest among some groups in wood-frame housing.

Although wood-frame construction is more prevalent and better accepted in Chile than in other Latin American countries, it is still regarded as housing for poor people by the majority of the Chilean public.

Market prospects appear to be good for the following extensive list of products, services and equipment: oriented strand board; asphalt shingles; vinyl windows and sealed units; vinyl siding; eavestroughing; hardwood flooring; acrylic sinks; bath and shower enclosures; glass fibre and cellulose insulation; fire-resistant gypsum board; materials packages for manufactured housing; synthetic stucco; synthetic stone facing; brick facing, including adhesives; steel studs; wood stains; electric outlet boxes, both plastic and metal; construction equipment, including polyurethane injectors; air staplers and nailers; circular saws; paint sprayers; and stippled ceiling sprayers. There is also a market for site equipment such as compactors and small earth moving machinery.

Canada ranked among the top five suppliers of manufactured wood products in 1994 with total sales of US\$4.6 million. Drywall sales volume was US\$.5 million. Other significant exports included electric wire and cable with a sales volume of US\$1.9 million, and PVC siding at US\$2.7 million. Canada's exports of these products ranked from sixth to ninth positions. The United States was among the top five suppliers in 9 of 11 products categories.

Germany and Brazil are major foreign suppliers. However, the sources for major building product imports to Chile are quite diverse, with no one country achieving a dominant position.

Canada's export ranking for many products is low, typically 12<sup>th</sup> to 20<sup>th</sup> position, and sales volumes are generally small.

Chile offers a strong market opportunity for Canadian housing exports. The reasons for this are identified below.

## ***Economic growth and strength***

Chile has experienced a long period of economic stability and growth, with the associated growth in middle-class and household incomes. As its natural resources continue to be developed, it is regarded as a strong emerging market.

## ***Canadian investment and export trends***

Canadian exports to Chile have increased rapidly over the past five years, to a cumulative total of \$2.4 billion in 1995. Much of this growth has been in the mining, energy, banking and communications sectors. Canada's building-related exports totalled \$6.7 million in 1993. However, most of this was related to mining equipment. These trends have helped establish close business relationships between Canada and Chile that can reinforce housing exports.

## ***Interest in wood-frame housing***

Representatives of the Chilean housing industry, associations and government have expressed interest in wood-frame housing and in Canadian wood-frame housing capabilities. Although masonry technology is still very strong, the following factors strengthen prospects for the introduction of wood-frame technology:

- the Chile Foundation considers Canadian methods the model to follow in wood-frame technology. The long-term goal of the foundation is to win a major share of the housing market through the introduction of wood-frame construction. To achieve this goal, the Chile Foundation has expressed interest in meeting with Canadian manufactured and modular home builders concerning joint ventures and partnerships;
- various Chilean home builders are interested in exploring joint ventures with Canadian builders and exporters;
- the Wood-frame Builders and Wood Industrialists Association (ACIM) have expressed interest in meeting with Canadian

builders concerning joint ventures and business partnerships. ACIM officials are interested in various Canadian technical details and technologies, particularly related to walkup apartments; and

- technical managers of SERVIU (Chile's Ministry of Housing) indicate general acceptance in the long-term of wood-frame construction.

There are significant housing needs and potential housing markets in Chile for:

- low- and moderate-cost housing if prices are competitive;
- employee housing for mining companies;
- multiple-unit condominiums built with wood-frame construction; and
- housing that uses low-cost concrete technologies and local materials for light building technologies.

On the other hand, potential obstacles for Canada's housing industry include high transportation costs and the lack of awareness in Chile of Canadian companies and capabilities. However, this is changing with increased Canadian investment in the country.

Several Canadian companies with housing export experience in Chile have assessed the country as a good prospect, citing reasons such as its strong and stable economy and its similarity in some respects to Canada.

Table 6 shows results from a survey of 10 Chilean builders involved in wood-frame housing construction.

As mentioned, the Chile Foundation considers Canadian methods as the model in wood-frame technology. ACIM officials are interested in various Canadian technical details and technologies, particularly related to walkups. Canadian companies can pursue the opportunities here by:

- participating in the increasing number of housing trade shows in Chile to demonstrate Canadian construction details and practices, with the support of the Chile Foundation and ACIM. This will reinforce or establish Canada as a reputable source of wood-frame housing expertise;
- encouraging the adoption of Canadian standards for wood-frame construction in Chile with the support of the Chile Foundation and ACIM. This will help Canadian builders enter Chile's housing market; and
- considering joint ventures between Chilean and Canadian builders through organizations such as the Chile Foundation, ACIM, the Canadian Home Builders' Association and the Canadian Manufactured Housing Association.

Canadian companies should consider Chile as a beachhead to other Latin American countries. Chilean companies are exploring export markets and shipping housing materials to Argentina, Costa Rica and Venezuela. Launching Latin American export operations in partnership with Chilean companies that have established the pattern offers great potential for Canadian firms.

**Table 6:**  
**Response of Interviewee to Market Prospects for Selected Canadian Products In Chile**

Wood I-Beam	There is no market for this product. It is not competitive with local products produced in Chile by various manufacturers.
Floor trusses	There is no market for this type of product since high-quality, competitively priced products are manufactured in Chile.
Roof trusses	There is no market for this type of product since high-quality, competitively priced products are manufactured in Chile.
Oriented strand board	There is strong interest in this product because it is not manufactured in Chile and the imported price is high. This applies to other types of sheathing such as plywood.
Shingles, asphalt	There is strong interest in this product. It is now used more often and is currently imported from the United States. There is a related interest in installation methods, particularly pneumatic staplers.
Windows	There is strong interest in vinyl windows and in sealed units without frames. Builders were not interested in wood windows. Some builders indicated that windows made in and shipped from Canada would probably not be cost competitive, and that Canadian companies should investigate the potential of establishing window manufacturing plants in Chile. Some builders expressed interest in basic windows, since Canadian products are perceived to be of very high quality, and quite costly.
Siding, vinyl	There was interest in this product. It is imported from the United States and not manufactured in Chile. As with windows, some builders indicated that Canadian companies investigate the potential of manufacturing vinyl siding in Chile.
Eavestrough, vinyl	This is considered an attractive product. There is a need for a product that is easy to install.
Exterior or entrance doors	There is no interest in steel insulated doors.
Interior doors	There is no interest in a product of this high quality. Low-priced doors are available in Chile.
Hardwood floors; other floors	There is significant interest in various types of hardwood flooring, and Canadian prices are considered competitive.
Kitchen cabinets	There is no interest in this product because of the local availability of high-quality, low-priced cupboards.
Kitchen sinks	There is some interest in acrylic and plastic sinks.
Wood moldings	There is no interest in this product. Moldings are readily available at competitive prices.
Door hardware	There is no interest in this product. Good quality hardware is manufactured locally and imported from the United States at low prices.
Water closets	There is no interest in Canadian products. These products are manufactured and available in Chile.
Bathtubs and compact shower enclosures	There is little interest in bathtubs. However, Canadian tubs are considered superior due to the small lip around the edge to control water drainage. There is interest in complete bathtub units (i.e., tubs including wall enclosures) and shower enclosures.
Insulation	There is interest in several types of insulation including glass fibre, and in particular, cellulose insulation. There is interest in learning about the technology of manufacturing and installation techniques. Local builders are already familiar with styrofoam insulation, and it is manufactured in Chile.
Gypsum board	There would be interest if the price was competitive. However, prices have dropped recently because of increased competition. Builders were interested in fire-resistant gypsum board.
Alarm systems	There is no interest in this product. Many high quality systems are manufactured in Chile.
Insulated forms	There is no interest in this product as homes do not generally have basements.
Materials packages for manufactured houses	There would be interest in this type of product if the price was competitive. Some U.S. builders are shipping materials packages for homes and are very competitive.
Other products	There is also interest in the following products: sealed glazing units; synthetic stucco; synthetic stone facing; brick facing and adhesives; steel studs; wood stains; plastic and metal electric outlet boxes; and construction equipment, including polyurethane injectors, air staplers and nailers, circular saws, paint sprayers and stippled ceiling sprayers; also site equipment such as compactors and small earth-moving machines.

# BUSINESS ENVIRONMENT

## Overview

The high level of professionalism of Chilean business leaders, the absence of business corruption and a serious, dynamic approach to doing business are important factors which have led to a series of very successful joint venture operations with both Canadian manufacturers and service operations.

While solid opportunities exist for Canadian products in Chile, competition certainly exists. The United States is Chile's largest single supplier with about 23 percent of the import market, and European and Asian competitors are strong in Chile. Canadian companies establish an effective and efficient presence. Many foreign companies maintain subsidiaries or branch offices in Chile, while others use distributors or representatives.

Although the 40 percent of Chile's population resident in the Santiago metropolitan region is easily reached, Chile's unusual geography can make it difficult to cover other population centres. This makes knowledgeable and well-connected Chilean representation important. Canadian companies must make decisions based on the factors of control, cost and coverage when choosing the proper route for entrance into the Chilean market.

It is not difficult for foreign business people to operate in Chile. Air connections are improving, and in-country travel arrangements are adequate. Visa provisions are not onerous. This is important because personal contact is essential to conducting business.

## Business Customs

Canadians will find that business practices in Chile and Canada are similar. The business day usually begins at 9 a.m. and ends between 6 and 7 p.m. Lunch breaks usually begin at 1 p.m. and are an hour long, unless business is being conducted, in which case two- to three-hour lunches are common. Although social occasions rarely begin at the indicated time, business

meetings always do. Chile's legal holidays are listed in Table 7.

**Table 7:  
Holidays**

Jan. 1	New Year's Day
Varies	Good Friday
Varies	Easter Sunday
May 1	Labour Day
May 21	Commemoration of the Battle of Iquique
Varies	Corpus Christi
June 29	Saint Peter and Saint Paul
Aug. 15	Assumption Day
Sep. 11	Official Holiday
Sep. 18	Independence Day
Sep. 19	Day of the Army
Oct. 12	Columbus Day
Nov. 1	All Saints' Day
Dec. 8	Immaculate Conception
Dec. 25	Christmas Day

Many Chilean business people are well-educated professionals who travel internationally and speak English. However, not all speak English, and foreign business people will find the ability to speak Spanish very useful and rewarding. Promotional literature should be in Spanish.

Business people who come to Chile usually travel on a regular tourist visa, which is issued by immigration officers at the airport upon arrival. Tourist visas are valid for 90 days and can be extended by the Ministerio del Interior, Oficina de Extranjeria (Moneda 1342, Santiago, Chile), or the Gobernacion Provincial outside of the capital city.

Individuals who intend to stay in Chile for more than 90 days but less than a year for business purposes can be granted a visa from a Chilean consulate. Holders of this visa should register at the Policia Internacional where they will be issued a Certificado de Registro.

Those considering scientific, technical or mountaineering activities in areas classified as border areas are required to obtain authorization from the Chilean government (Direccion de

Fronteras y Limites). Requests for authorization must be presented to Chilean authorities at least 90 days prior to the beginning of the expedition.

For those business people who intend to make sizeable investments in a business, a temporary resident visa may be advisable. This visa is valid for one year and can be extended for a second year.

In addition, business people may also be granted a Resident Under Contract visa. This visa is issued to people who have been contracted to carry out a specific job that requires certain qualifications. This visa is valid for up to two years, and its holders are allowed to have their spouse and children in the country. A new visa is required if the holder changes companies. This visa is requested in Chile at the Ministerio de Relaciones Exteriores (Ministry of Foreign Relations), Departamento de Inmigracion (Bandera 46, oficina 11; Santiago, Chile).

## Business Infrastructure

Business operations develop in a climate of free enterprise and free trade. Simplified bureaucratic procedures are the rule, making the Chilean business environment more transparent and friendly than most in Latin America. The labour force is regarded as competent, productive and relatively well educated. Current trends include innovation in export-market products and a wide range of services for the domestic market. High rates of foreign and domestic investment have added the application of new technologies to industrial processes and increased competition in distribution and marketing.

A number of business groups control large segments of the economy and at the same time, the number of medium-size and small companies is growing. Large-scale business is conducted through local corporations whose shares are quoted on the stock market. Since the 1970s, the Government of Chile has been involved in a successful privatization program that has transferred hundreds of companies and public services to private operators, many of those with foreign capital participation. As a result of the privatization program, about 82,000 workers became shareholders in former state-owned enterprises.

Sectors affected by privatization include steel production, energy generation and distribution, computer services, telecommunications and mineral extraction and processing.

## Distribution and Sales Channels

Establishing a local subsidiary or branch office gives the best guarantee that the exporter will receive efficient service and appropriate promotion of its products. Any corporation legally constituted abroad may form, under its own name, an authorized branch (Agencia) in Chile. This method of market penetration may involve a considerable investment but can be justified if sales are made in large volumes or when local service support or inventory are necessary.

Another practical method is to appoint an agent or representative with good access to relevant markets. The various geographic regions in Chile are far apart and their economies depend on diverse natural resources. Larger representatives usually have branch offices in different regions. Some large end-users, such as mining and forestry enterprises, demand quick service and specialized technical support.

In spite of the elongated Chilean territory, its population of 13,500,000 is very centralized. Forty percent of the inhabitants live within 100 miles of Santiago in a metropolitan region that covers 10,000 km<sup>2</sup>. Most of the manufacturing, trade and service activities are located in Santiago. It is common in Santiago that importers and manufacturers who deal in mass distribution items distribute directly to large wholesalers or retail stores.

Sales outlets are mainly the traditional store fronts, but large department stores have penetrated the market. During the past decade, several large department stores and supermarkets have been built. Well-designed shopping malls have recently been a booming business, not only in Santiago, but in larger cities throughout Chile.

Although it has been a priority of the Chilean government for the last 10 years to decentralize the country, Santiago is still the place for establishing businesses. Santiago is near two major ports, Valparaiso and San Antonio, and close to the largest Chilean international airport, Comodoro Arturo Merino Benitez.

## Finding a Partner

Currently, there are over 2,800 importers operating in Chile; some of them also act as export agents. Most are small-to-medium size firms. Several large firms handle different lines of products and are large wholesalers. Almost all the firms have their main offices in Santiago and branch offices throughout the country, including the free-trade zones. Other firms employ specialized travelling salespeople.

In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. To be effective, this local representative must be aggressive, knowledgeable about the product, and well connected with decision-makers at end-user firms. The representative will need to promote the products through newspapers, specialized magazines, and radio and television commercials. Agent commissions normally range from 5 to 10 percent depending on the product.

Canadian companies should be thorough in selecting the agent or representative. The Canadian Embassy can help identify interested agents and distributors.

## Joint Ventures and Licensing

Joint ventures and licensing arrangements require a legally established local partner who can be responsible for Chilean legal and taxation obligations. The various administrative, commercial, profit distribution and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

As Chile continues to establish itself in worldwide markets, its growing and stable economy make more sectors attractive for joint ventures and licensing. These mechanisms are especially interesting when there is a local manufacturing or finishing capacity for products whose market costs are affected by shipping expenses.

Joint ventures are also attractive because they allow Canadian manufacturers to approach sectors such as consumer goods and clothing in a more effective way. Other areas, especially where Chilean industry has increased its technology and productivity, may be attractive.

## Establishing an Office

Incorporating in Chile is not expensive, and the time required is short. Chile has no minimum local participation requirement; inclusion of local partners is only guided by commercial considerations. However, a legally established corporation or partnership is absolutely necessary to do any business in Chile except for exporting to the country.

The first step for a Canadian citizen, corporation or entity wishing to do business in Chile on its own is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, and simultaneously requesting a Permanent Residence Visa. This confers an official residence status to the company, without which it will be barred from conducting commercial activities in Chile.

Within the framework of Chilean law, business entities can choose among various corporate forms, entailing somewhat different legal, taxation and other effects. Since the tax treatment is substantially similar for the various forms of businesses, the choice of entity is often guided by tax considerations in the home country.

## Selling Factors and Techniques

The most important selling factor in Chile is price. Price-competitive products from Asian countries far outsell more expensive European or North American products in consumer-product categories such as consumer electronics, appliances and automobiles.

Where dependability becomes more critical, such as in advanced electronics and construction machinery, the customer will often go for more expensive North American or European products based on quality and durability, technology, customer support and a strong regional service structure. Price is the fundamental factor, but other factors mentioned above all influence the purchase decision, depending on the industry, the customer and the application.

Many of the larger representatives have regional offices in addition to their Santiago headquarters, or work with commissioned salesmen. It is part of the national idiosyncrasy that more technical product categories are generally sold by visiting salesmen rather than in showrooms or retail outlets.

Technical salesmen demonstrate products to clients who prefer to be visited in their offices or are too far from sales points. These salesmen are often backed up by more thoroughly trained technical sales support personnel during client visits.

Payment for major purchases is generally on a net 30 days basis when invoices are used. Over-the-counter purchases are done using cash, cheque or credit card. Credit terms are one sales technique used by most retailers. Major department stores and chains issue their own credit cards.

## Advertising and Trade Promotion

Television, radio, newspaper and magazine advertising are used heavily to reinforce in-store merchandising methods. Private agencies handle the largest share of advertising. Most of these agencies belong to the Asociacion Chilena de Agencias de Publicidad (Chilean Association of Advertising Agencies) ACHAP.

Chile uses the NTSC system for TV broadcasting. Six TV channels broadcast in Santiago; several of these also cover the principal cities throughout the country. Television Nacional, the government-owned network, covers 97 percent of Chile's territory. Cable television, which has been rapidly covering Santiago over the past two years, exposes subscribers to major U.S. and European stations including CNN, TNT, HBO, CNBC, Discovery, Fox, and ESPN.

Of the 144 AM and 253 FM radio stations registered nationwide with the Asociacion de Radiodifusoras de Chile (ARCHI, Chilean Radiobroadcasters' Association), 19 AM and 27 FM stations are located in the nation's capital.

There are about 30 newspapers throughout the country. The 6 daily newspapers in Santiago have a combined circulation of approximately 700,000. The main one is El Mercurio, which has a weekly insert on construction.

## Pricing Products

Generally, an 11 percent tariff is levied on the cost, insurance and freight (C.I.F.) value of all imported products. This and a Value-Added tax of 18 percent are paid by the importer and not by the

supplier. There are some exceptions. Government entities do not pay these fees, and some luxury goods have higher tariffs. In addition, there are different, preferential tariff schedules that cover imports from countries with which Chile has bilateral trade agreements.

Pricing starts with a fairly straightforward formula based on CIF costs plus the generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30 to 50 percent or more for direct sales to consumers, or 20 to 30 percent each for the importer or distributor and the retailer when a distribution chain is in place. Final price for mass-distributed items should be competitive with imports from Asia and countries like Brazil. Higher-priced items must compete in niche market segments to prosper. More specialized products are sold by stocking representatives, or by commissioned agents who generally earn five to 10 percent on their sales.

## Sales Service and Customer Support

Customer service and support are fundamental to successfully penetrating and retaining market segments other than consumer products. The distance and communications hurdles separating local buyers from foreign suppliers are a perpetual worry. Many buyers have been left stranded after buying a product with insufficient or no post-sale technical support.

Consumer rights are slowly becoming a real issue. Any product with an extended lifetime and a need for operator training or technical service, must have this support provided by a stable local company with solid support and backing from the overseas supplier. Bad reputations acquired by disregarding customer needs are hard to shake.

## Selling to the Government

Government entities usually do their own procurement. Chilean law calls for public bids for large purchases, although procurement by negotiation is permitted in certain cases.

Foreign and local bidders on government tenders must be registered with the Chilean Direccion de Aprovisionamiento del Estado (Bureau of Government Procurement Supplies), Amunategui

66, piso 4, Santiago, Chile. They must also post a bank or guarantee bond, usually equivalent to 10 percent of the total bid, to assure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected and familiar with the bidding procedures.

## Protecting Your Intellectual Property

Chile belongs to the World Intellectual Property Organization. Patents, trademarks, industrial designs, models and copyrights are protected in Chile by the provisions of the International Convention for the Protection of Industrial Property (the Paris Convention). Chile's intellectual property regime is generally compatible with international norms, with a few exceptions. Industrial designs and models are protected for a non-renewable period of 10 years. The registration of trademarks is also valid for renewable periods of 10 years.

A common problem faced by foreign companies that wish to begin operations in Chile is that foreign trademarks may already be registered by other individuals or companies. Chilean courts have been supportive in cases where the trademark has been stockpiled but gone unused, but less so in cases where investments were made in use of the trademark. In either case, proceedings can be lengthy and expensive. The foreign firm should make a business decision whether to take legal action or negotiate with the party who registered the trademark. A trademark should be registered as soon as the exporter or investor has any intention of doing business in Chile. Ownership of the trademark is not prejudiced by lack of use in cases where the registered party makes use of the mark in other countries. Trademarks may be perpetually registered in periods of 10 years at a time. Firms wishing to register their trademarks should do so at the Ministry of Economy, Departamento de Propiedad Industrial.

## Need for Local Legal Assistance

Given that contracts with Chilean firms must abide by Chilean laws, Canadian companies entering the Chilean market should have all legal documents drawn up or checked by a qualified local lawyer.

Suppliers can establish their legal relationship with a local representative in one of two ways:

- an ordinary work contract regulated by Labour Law 19.010, for which some legal guidance is advisable; or
- the more customary commercial or commission contract, where the parties establish their own terms and conditions and are not bound by requirements of LL 19.010, especially its severance conditions.

To avoid legal expenses under a commission contract, Canadian companies should:

- establish specific performance conditions for the representative;
- decide upon ground rules for termination;
- determine territory to be covered by the representative, as additional agents elsewhere in Chile may be appointed later; and,
- have local counsel review the text to ensure it is consistent with Chilean legal standards.

In establishing a contractual relationship with a local representative, a Canadian company should determine its contractual liability in regards to the representative under Chile's labour law.

## Regulatory Issues

Chile has one of the simplest and most transparent regulatory systems in the region to deal with trade and business activities. Careful review of applicable regulation and full compliance with its guidelines will guarantee successful and trouble-free operations in the Chilean market. Chile does maintain import and export licensing requirements, but they are more for statistical purposes rather than control. For all except a few sensitive items, virtually anyone is free to import anything.

Chilean law allows for a variety of different business enterprises. The three types of business operations generally used by foreign investors are corporations, limited liability companies and branches. Tax treatment of the three entities is basically equal in Chile. Therefore, consideration of taxation in the investor's country of origin is important.

While the cost of incorporation is inexpensive for all three entities, a limited liability partnership is

usually the simplest to establish. According to the law, corporations and limited liability companies in Chile are considered to be separate legal bodies, unlike branch operations. There is no minimum requirement for local participation in the foundation or operation of a foreign enterprise. Consequently, the decision is strictly a commercial consideration. However, the presence of a local legal entity is essential from a liability standpoint.

Most state enterprises and government agencies buy directly from the source supplier. Principals and agents or distributors may establish their relationships in two ways, either through a work contract or a commission contract. A work contract governs the principal-agent relationship within the limits of Chilean civil and commercial code provisions.

For example, if an agent is fired for reasons other than misconduct, he is entitled to severance pay equalling one month's pay for each year the contract was in effect, and must get 30 days notice. This accords with Chilean labour law.

Under a commission contract, the parties are bound only by the rules they set, not by the labour laws. Commission percentages vary in accordance with the cost of the goods.

Distributors in Chile agree to purchase products from a foreign producer or manufacturer, keep them in stock and then sell these goods independently of the original manufacturer. Distributors make their own marketing decisions and control the profits that accrue from the sale of a manufacturer's products. Distribution agreements are not specifically addressed in Chilean law.

Imports to Chile valued over US\$3,000 (f.o.b., i.e., free on board) may be made freely, but require a registration certificate from the Central Bank prior to the shipment, which must be made within 120 days of issuance of the certificate. In certain justifiable instances, an extension may be granted. In the case of imports valued under US\$3,000 (f.o.b.), a commercial bank in Chile may issue the registration certificate.

Customs duties in Chile are relatively low. The vast majority of imported goods are taxed at a flat rate of 11 percent. Further, all imports, except

capital goods, are assessed a value-added tax of 18 percent.

The legalities of importation into Chile are relatively straightforward. The required documents generally include an import license, a commercial invoice and a bill of lading or air waybill.

Free-trade zones have been established in the northern Iquique and southern Punta Arenas regions. A limited free-trade zone is in effect in Arica near the Peruvian border. Foreign companies operating in the zones are exempt from certain categories of income tax. Furthermore, the value-added tax does not apply to transactions completed within a free-trade zone. Imports leaving the zones to enter the greater Chilean market pay full tariff and value-added tax charges.

The Central Bank of Chile is the sole authority responsible for exchange controls. It is an autonomous body whose priority is to achieve the steady development of the Chilean economy through the implementation of monetary policies. The Central Bank ties the peso to a basket composed of the U.S. dollar, the German mark and the Japanese yen.

The exchange rate is adjusted to reflect inflation differentials between Chile and its major trading partners in the preceding month. Although the path for the crawling peg relative to the basket is determined one month in advance, the individual cross rates for the dollar, mark and yen are determined daily, depending on their market rates. The inter-bank rate is allowed to move within a 20 percent band around the crawling peg. A 30 percent reserve requirement is levied on foreign borrowing in order to narrow the interest rate differential between domestic and foreign assets.

In general, the Chilean government takes a liberal attitude toward, and imposes few restrictions upon, foreign investment. One hundred percent foreign ownership is permissible and Chilean partners need only be secured if the investor deems it advantageous. There are no restrictions on foreign ownership of buildings.

The Chilean Foreign Investment Committee (CFIC) is the institution authorized to accept the inflow of foreign capital and to stipulate the terms and conditions of the corresponding contract. Foreign investors in Chile have the same rights and obligations as Chileans. Foreign investment is

subject to the same legislation as local investment, and no discrimination is allowed.

The following are general rules that affect foreign investment in Chile.

- For investments made under Decree Law (DL) 600, capital must remain in the country for three years before it can be remitted. This may be reduced to one year. Capital may only be remitted with proceeds from the sale or liquidation of the investment. Profit remittances on dividends are freely remitted.
- Foreign exchange for profit and capital remittances will be available under the same conditions applicable to Chilean nationals purchasing foreign exchange to cover general imports. The local market provides exchange insurance and dollar-denominated deposits to cover exchange risks.
- The netting of trade-related payments is not allowed. However, when some goods are imported and re-exported, the Central Bank can approve the netting of the respective prices. Foreign investments exceeding US\$50 million can obtain authorization to net export proceeds with remittable profits or repatriated capital directly abroad.
- Foreign investments are not subject to time limits, but the Chilean government requires that 30 percent of all external credits be placed in a non-interest bearing reserve account held at the Central Bank for a period of one year. This requirement (known locally as the “encaje”) applies equally to foreign investors and Chileans. Alternatively, the recipients of external credits may pay the Central Bank an amount equivalent to the interest of such a deposit. This alternative enables the investor to avoid tying up part of their working capital with the Central Bank.
- Foreign investors are never required to sell part or all of their operations or investment to Chilean nationals or at any time phase out their operations in Chile.
- Residents and non-residents can maintain accounts in U.S. dollars in Chile or abroad.

- The Central Bank of Chile handles all terms, commissions and other charges for foreign credits associated with foreign investments.
- The CFIC must examine and approve all investments exceeding US\$5 million or involving the public service sector.
- Investments in export-generating projects that exceed US\$50 million receive additional benefits, such as the use of offshore accounts to maintain export proceeds for payments, including principal and interest on loans.

The Chilean government does not differentiate between Chilean and foreign investors when offering investment incentives. The Foreign Investment Act permits foreign capital to enter the country in various ways as agreed upon by the investor and the CFIC. A system of debt-equity swaps that requires the approval of the Central Bank is also in effect.

The Income Tax Law favours capital investment and the reinvestment of profits and acts as an incentive as described below:

- Domestic and foreign corporations are subject to a 15 percent first category income tax rate applied to new taxable income for commercial, industrial, mining, fishing and real estate investment.
- Services rendered abroad by a foreign corporation to a resident entity are subject to a 40 percent additional withholding tax. This rate is reduced to 20 percent in the case of engineering and technical assistance services rendered exclusively outside Chile. Payments abroad for freight, loading and unloading, commissions and international communications are exempt. Foreign branches operating in Chile are taxed only on their Chilean source income.

A foreign investor when contracting with the CFIC may select one of two options for Chilean income tax purposes: the General Tax Regime, applicable to all Chilean businesses; or the Special Tax Regime for foreign investors.

The General Tax Regime currently has a corporate tax rate of 15 percent on accrued income. If the remaining corporate profits are to be repatriated abroad, however, there is an additional tax of 35 percent. This tax, using the total accrued

income as its basis, authorizes a tax credit on the amount of corporate tax paid. The Special Tax Regime is more costly than the General Tax Regime, but provides more certainty. The Chilean Congress can change the corporate tax rate under the General Tax Regime, but the Special Tax Regime for foreign investors remains fixed.

To be eligible for the Special Tax Regime, the investor must specifically request this Regime when applying for a contract with the CFIC. Failure to make such an application is interpreted to mean a foreign investor has elected the General Tax Regime.

The process for taxation under the Special Tax Regime has two tax rate options; one of 49.5 percent; and one of 40 percent. The 40 percent rate also includes a variable surcharge ranging from zero to 30 percent. Consequently, the 40 percent tax on repatriated profits can escalate to as high as 70 percent, when the maximum 30 percent surcharge is included.

The Industrial Property Protection Law, proclaimed in September 1991, substantially improved Chile's protection of industrial patents but falls short of international standards. The law provides patent protection for 15 years from the date of issuance and includes protection for pharmaceutical products and process. The law does not consider plant and animal varieties and surgical methods to be patentable subject matter. Moreover, the law does not provide transition protection for pharmaceutical patents filed abroad before the announcement of the 1991 law.

Chilean law protects registered trademarks for 10-year periods, is renewable indefinitely and prioritizes trademark rights according to filing date. Local use of the trademark is not required for registration. Payments for use of trademarks may not exceed one percent of sales.

Companies in Chile are taxed in two stages. Initially they are assessed a flat rate of 10 percent. In the second stage, dividends remitted to non-residents abroad are subject to additional taxes, bringing the total effective tax rate to 30 percent. Capital gains, with few minor exceptions, are considered income and taxed at the according rate. Deductions are granted for the following:

- depreciation and depletion of assets;
- net operating losses;
- payments to foreign affiliates;
- general business expenses; and
- taxes imposed by law, except for income and real estate taxes.

Individual residents in Chile are subject to income taxes on a progressive scale ranging from 5 to 50 percent of their gross income minus deductions. Deductions include business expenses, social security contributions and minor personal allowances. Citizens of Chile are taxed on their worldwide income while non-citizen residents are taxed only on their Chilean-source income. After three years of residence, a foreigner is considered a citizen for tax purposes, though a three-year maximum extension may be given under certain circumstances.

The primary indirect tax is the value-added tax, which is set at 18 percent. All imports (except capital goods), general sales of merchandise and services are subject to this tax, while exports are exempt from payment. Other indirect taxes include: a 0.1 percent stamp tax on most financial and credit transactions; annual real estate taxes of 2 percent of the property's total appraised value; a 50 percent tax on the importation of specific luxury items such as gold, silver, ivory and furs; and a progressive tax rate from 1 to 25 percent on the value of gifts and inheritances.

## EDC Financial Risk Assessment

*The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services and guarantees.*

*The following information was obtained from the EDC Country Risks and Opportunities book (fall, 1996).*

### Issues

These issues should be taken into consideration when assessing financial risk in Chile.

- Pro-free-trade and market-oriented policies are expected to continue through the current

administration's mandate which expires in 2000. Due to widening splits in the governing coalition, however, the implementation of new reforms may slow considerably.

- An early convert to economic reform, Chile began with the transformation to a more open, internationally competitive economy in the mid-1970s. Chile currently produces over 25 percent of the world's copper, but was only able to partially offset this year's price decline with increased production. Despite attempts to diversify, exports are still concentrated on commodities, with copper, fish meal and cellulose accounting for more than 50 percent of total exports. Price declines will reduce the value of exports in 1996, and last year's trade surplus will be transformed into a deficit.
- Chile is actively pursuing trade accords with its major trading partners. Negotiations with Canada resulted in a free trade agreement in December 1996, and could lead to Chile's eventual accession to NAFTA. Meanwhile, Asian links are being forged along with membership to APEC. In June 1996, Chile signed a trade and investment agreement with the EU and became an associate member of Mercosur, the customs union between Argentina, Brazil, Paraguay and Uruguay. As an associate member, Chile will trade freely with Mercosur countries—after an eight year transition—but will retain its external tariff structure and its ability to act unilaterally in trade arrangements with third countries.
- With a domestic savings rate in excess of 25 percent and a well developed financial system,

Chile has financed much of its recent investment from domestic sources. This limits Chile's external debt since it is not dependent on external capital to the same extent as Argentina and Mexico.

- Foreign investment in Chile has averaged about 6 percent of GDP over the past three years. In the first half of 1996, new foreign investment was 23 percent higher than the same period last year, at US\$2.7 billion. Of the total, US\$1.9 billion was direct investment, indicating the steadily increasing international awareness of, and confidence in, the strong Chilean economy.
- Chile's economy is fundamentally solid. It has grown for 12 consecutive years, inflation and unemployment are moving downward and the government has generated a fiscal surplus for the last 9 years. The balance of payments is healthy and foreign exchange reserves are close to US\$15 billion.
- The political and economic outlooks are positive in the short and medium-term. Short-term interest rates could remain high as the government ensures economic growth remains at a manageable pace. Investment flows are expected to remain strong in the long-term.

## Collection Experience

The overall collection experience in Chile is good. A full range of trading terms is common. There are no credit or financial issues.

# CONTACTS

## Canada Mortgage and Housing Corporation

Housing Export Centre

700 Montreal Road  
Ottawa, ON K1A 0P7

Tel.: 1-800-465-6212 or  
(613) 748-2000  
Fax: (613) 748-2302

## Canadian Government Departments and Services

Department of Foreign Affairs and  
International Trade (DFAIT)

InfoCentre  
Lester B. Pearson Building  
125 Sussex Drive  
Ottawa, ON K1A 0G2

Tel.: 1-800-267-8376 or  
(613) 944-4000  
Fax: (613) 996-9709  
FaxLink: (613) 944-4500  
InfoCentre Bulletin board:  
Tel.: 1-800-628-1581 or  
(613) 944-1581

South America and Inter American Division  
(LSR), Chile Desk  
Lester B. Pearson Building  
125 Sussex Drive  
Ottawa, ON K1A 0G2

Tel.: (613) 996-5546  
Fax: (613) 943-8806

Canadian Embassy in Chile

Nueva Tajamar 481, Piso 12  
World Trade Centre  
Santiago, Chile

Tel.: (56-2) 362-9660  
Fax: (56-2) 362-9664

## International Trade Centres

Newfoundland

International Trade Centre  
P.O. Box 8950  
Atlantic Place  
215 Water Street  
Suite 504  
St. John's, NF A1B 3R9

Tel.: (709) 772-5511  
Fax: (709) 772-5093

Prince Edward Island

International Trade Centre  
P.O. Box 1115  
Confederation Court Mall  
134 Kent Street  
Suite 400  
Charlottetown, PE C1A 7M8

Tel.: (902) 566-7443  
Fax: (902) 566-7450

Nova Scotia

International Trade Centre  
P.O. Box 940, Station M  
1801 Hollis Street  
Halifax, NS B3J 2V9

Tel.: (902) 426-7540  
Fax: (902) 426-5218

New Brunswick

International Trade Centre  
1045 Main Street  
Unit 103  
Moncton, NB E1C 1H1

Tel.: (506) 851-6452  
Fax: (506) 851-6429

Quebec

International Trade Centre  
5 Place Ville-Marie  
Seventh Floor  
Montreal, PQ H3B 2G2

Tel.: (514) 283-6328  
Fax: (514) 283-8794

Ontario

International Trade Centre  
Dominion Public Building  
1 Front St. West  
Fourth Floor  
Toronto, ON M5J 1A4

Tel.: (416) 973-5053  
Fax: (416) 973-8161

Manitoba

International Trade Centre  
P.O. Box 981  
330 Portage Avenue  
8th Floor  
Winnipeg, MB R3G 2V2

Tel.: (204) 983-5851  
Fax: (204) 983-3182

## International Trade Centres (cont'd)

Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4 <sup>th</sup> Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta <i>* Edmonton office is also responsible for Northwest Territories</i>	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3	Tel.: (403) 495-2944 Fax: (403) 495-4507
British Columbia <i>*Vancouver office is also responsible for the Yukon</i>	510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 292-4575 Fax: (403) 292-4578

## Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg <i>*office also serves Saskatchewan</i>	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

## Chilean Government Offices in Canada

Embassy of Chile	50 O'Connor Street Suite 1413 Ottawa, ON K1P 6L2	Tel.: (613) 235-4402 Fax: (613) 235-1176
ProChile	170 Bloor Street West, Suite 801 Toronto, ON M5S 1T9	Tel.: (416) 924-0176 Fax: (416) 924-2627

## Chilean Government Offices in Canada (cont'd)

Chilean Consulate in Montreal	1010 Sherbrooke Street West Suite 710 Montreal, PQ H3A 2R7	Tel.: (514) 499-0405 Fax: (514) 499-8914
Chilean Consulate in Toronto	170 Bloor Street Suite 800 Toronto, ON M5S 1T9	Tel.: (416) 924-0106/0112 Fax: (416) 924-9563
Chilean Consulate in Vancouver	1185 West Georgia Street, Suite 1259 Vancouver, BC V6E 4E6	Tel.: (604) 681-9162, 683-9161 Fax: (604) 682-2445
Honorary Consul in Edmonton	104 Street Suite 7912 Edmonton, AB T6E 4C8	Tel.: (403) 439-9839 Fax: (403) 433-2376
Honorary Consul in Winnipeg	59 Emily Street Winnipeg, MB R3E 1Y9	Tel.: (204) 787-4259 Fax: (204) 889-4410

## Multilateral Organizations

Inter-American Development Bank	1300 New York Avenue NW Washington, D.C. 20577 U.S.A.	Tel.: (202) 623-1000 Fax: (202) 623-3096
World Bank	Washington, D.C. 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
Office for Liaison with International Financial Institutions	Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, DC 20001	Tel.: (202) 682-7719 Fax: (202) 682-7726

## Business and Professional Organizations in Canada

The Canadian Council for the Americas (Chile Canada Business Committee)	360 Bay Street Suite 300 Toronto, ON M5H 2V6	Tel.: (416) 367-4313 Fax: (416) 367-5460
Canada-Chile Chamber of Commerce	3445 Ashby Street Saint Laurent, PQ H4R 2K3	Tel.: (514) 339-2528 Fax: (514) 339-1607
Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218

## Major Chilean Banks

Central Bank of Chile <i>Banco Central de Chile</i>	Agustinas 1180 Santiago, Chile	Tel.: (56-2) 670-2000 Fax: (56-2) 698-4847
<i>Fundacion Chile</i>	Parque Antonio Rabat Sur 6165 Santiago, Chile	Tel.: (56-2) 218-5211 Fax: (56-2) 242-6900
<i>Banco del Estado de Chile</i>	Av. Lib. B. O'Higgins Santiago, Chile	Tel.: (56-2) 670-7000 Fax: (56-2) 670-5711
<i>Banco de Santiago</i>	Bandera 172 Santiago, Chile	Tel.: (56-2) 692-4000 Fax: (56-2) 695-3585
<i>Banco O'Higgins</i>	Bandera 201 Santiago, Chile	Tel.: (56-2) 630-4000 Fax: (56-2) 671-7152

## Canadian Banks with Affiliations in Chile

Bank of Nova Scotia <i>Banco Sud Americano</i>	Morandé 226 Gerencia de Cambios No. 766073 Santiago, Chile	Tel.: (56-2) 692-6000 Fax: (56-2) 698-6008
Royal Bank of Canada	Representative Office <i>Oicina de Representación</i> Av. Andrés Bello 2687 Santiago, Chile	Tel.: (56-2) 203-9050 Fax: (56-2) 203-9053

## Canadian Banks with Affiliations in Chile (suite)

National Bank of Canada  
*Banco Santander — Chile*

Bandera 140, piso 19  
Santiago, Chile

Tel.: (56-2) 696-0414  
Fax: (56-2) 671-6554

Toronto Dominion Bank  
Correspondent Bank  
*Banco de A. Edwards*

Huérfanos 740  
Santiago, Chile

Tel.: (56-2) 631-3000  
Fax: (56-2) 638-0904



### Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

### CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

### Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	QTY	ITEM AMOUNT \$	1	2	3	4	5
				1 x 2	SHIPPING POINTS	TOTAL SHIPPING POINTS 1 x 4		
NHA 8003	Brazil	1	35.-	35.-	3	3		
NHA 8033	South Korea	2	35.-	70.-	3	6		
					3			
					3			

#### TAX TABLE

7% GST applicable to all items. PST/HST/GST applicable to shipping, for PEI and Québec, PST is calculated on shipping plus GST.

U.S. and International orders, please pay subtotal C in U.S. funds.

Province	GST	PST	HST
Alberta	7% of C	-	-
B.C., Manitoba, & Sask.	7% of C	7% of B	-
Ontario	7% of C	8% of B	-
N.B., N.S., NF	7% of A	-	15% of B
Québec	7% of C	6.5% of B + GST	-
P.E.I.	7% of C	10% of B + GST	-

Subtotal Column 3      A  
105.-

ADD Shipping & Handling  
Regular Mail  Courier   
B 6.18

Subtotal  
(Add A + B)      C  
111.18

Appropriate Taxes  
(refer to table at left)      D  
7.78

Total  
(Add C + D)      E  
118.96

Subtotal  
Column 5      9

Refer to Shipping  
and Handling Charges  
on the back of this  
form for the shipping  
and handling amount.



CMHC's Housing Export Opportunities series contains up-to-date, relevant information on foreign housing markets for the Canadian Housing industry. Our country reports provide you with the market research and analysis you need to make the right business decisions about today's most dynamic offshore housing markets.

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